HOUSING MARKET OUTLOOK
Greater Sudbury CMA

CANADA MORTGAGE AND HOUSING CORPORATION

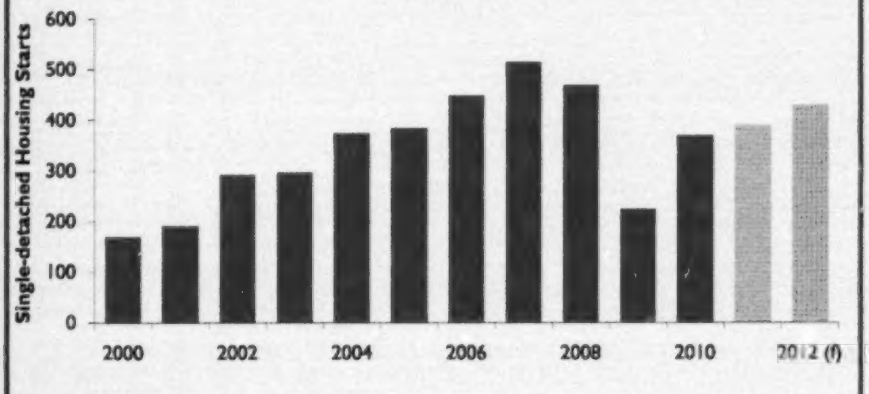
Date Released: Spring 2011

Market at a Glance

- Employment growth and income acceleration will drive existing home sales this year and into 2012 – helping Sudbury buck provincial trends.
- Average MLS® prices will rise 5.1 per cent this year and 3.4 per cent in 2012 as new listings growth lags demand.
- Single-detached starts will rise 5.7 per cent in 2011 and 10.3 per cent next year benefitting from resale market strength, while starts of semis, rows and apartments will weaken relative to 2009 and 2010.
- Sudbury's total employment will increase in 2011 as jobs in both the goods and services sectors drive gains. Full-time jobs are tending to outstrip growth in part-time work.

Figure 1

Sudbury Single-Detached Home Starts to Improve



Source: CMHC forecasts

[1] The forecasts included in this document are based on information available as of April 28, 2011.

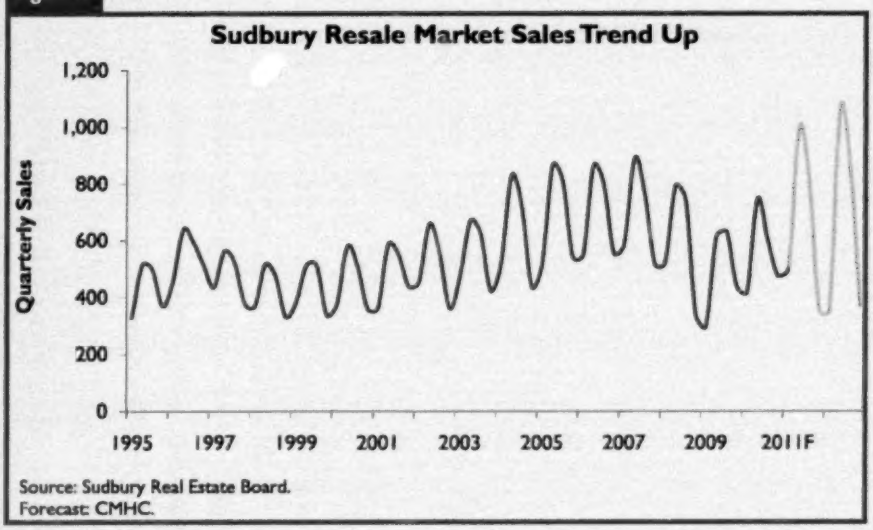
Table of Contents

1 Market at a Glance
2 Resale Market
3 New Home Market
3 Economy
4 Mortgage Rate Outlook
5 Forecast Summary

SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at www.cmhc.ca/housingmarketinformation. View, print, download or subscribe to get market information e-mailed to you on the day it is released. CMHC's electronic suite of national standardized products is available for free.

Figure 2



Source: Sudbury Real Estate Board.
Forecast: CMHC.

Resale Market

MLS® Sales to Grow This Year and Next

After a correction in 2009, Sudbury's resale market is in recovery mode and CMHC expects MLS® sales to move higher this year and next, as the economic recovery really takes hold. This is evidenced by the continuing ramping-up of existing home sales during the first quarter of this year. In fact, sales data for this quarter resembles 2008, the final year of a 5-6 year run of above-average sales volumes.

At the same time, seasonally adjusted new listings fell from their recent peak in April 2010 to trough in January of 2011 and are slowly on the rise. Driven by increasingly tighter conditions for prospective buyers, average prices have begun to move up again. It is expected that this trend towards increased new listings should take hold and begin to improve later this year and into next.

The uptick in housing resale activity for the forecast period will be underpinned by a variety of economic fundamentals. Employment growth and continued low mortgage rates are spurring home buying in Sudbury and in much of Ontario. Not unlike early last year, households remain concerned about rising interest rates which is a further impetus to buy in the short term. Some of that buying occurred in the first quarter causing seasonally adjusted quarterly sales to rise. This sharp trend upwards should subside through the third and fourth quarters of 2011 to leave sales up 4.7 per cent while sales should climb again next year by slightly more.

Sudbury Market to Remain in Balanced Territory

After a run-up in new listings over the first half of 2010, housing supply has come off significantly, pushing the sales to new listings ratio upward. This resulted in the resale market being in a strong balanced position and is anticipated to continue in that state for the remainder of 2011 and into 2012. As the spring market advances and new listings begin to rise, the growth in the average MLS® price will stabilize. CMHC projects price growth this year at 5.1 per cent, while next year the pace of growth in home prices will moderate to 3.4 per cent, as supply begins to respond to higher prices.

With the price increases expected in 2011, average income growth is not expected to keep pace thus reducing affordability in Sudbury slightly. Relative to other centres over 100,000 in the province, Sudbury remains one of the more affordable. Required income growth will gain on actual income growth again in 2012.

Figure 3

Source: CMHC, Statistics Canada, CREA

New Home Market

Economic Growth to Boost Housing Starts

Housing starts in Sudbury slowed only modestly in 2010. This resulted in solid growth for single-detached year-over-year starts. Housing starts by the end of this year will virtually match the level reached in 2010, before rising by 3.7 per cent in 2012. Thus far in 2011, starts have been relatively weak to the end of March partly due to poor weather, but there are strong indications that Sudbury will experience another year of growth.

Building permits approved in December 2010, which were taken out to avoid January 1st development charge increases, provide a leading indicator of builders' intentions. Given the number of building permits approved then and additional positive signs in the economy locally, it is sensible to assume reasonable gains in new residential construction.

The end of the year-long Vale Inco labour dispute at mid-year 2010 has cleared the way for mining investment in the Sudbury basin benefitting the principal players, namely Vale, Xstrata and Quadra FNX. Also, rising commodity prices globally positively influences prospects for many Sudbury-based Area Mining Supply and Service Association's (SAMSSA) companies. Nickel, copper and gold prices trading at prices above trend is helping the local industry and all mining concerns in North-eastern Ontario.

Single-Detached Starts to Advance in 2011

Tracking the number of completed and unoccupied units in Sudbury, there is no excess supply that gives cause for concern regarding CMHC's new construction forecast. An average of seven single-detached units was unabsorbed over the first two months of 2011, well below the ten year average of 12 units. Geographically, new construction is widely spread across the Greater Sudbury CMA. Consumers have ample choice with regards to lot location given the competitive environment with the presence of several builders.

After several quiet years between 1995 and 2008, semi, apartment and row housing starts have picked up. In each of 2009 and 2010, 226 and 206 such units were started respectively. Looking ahead, there are some significant projects on the drawing boards. Relatively low vacancy rates are making the private sector contemplate new apartment construction. Aging baby boomers present in Greater Sudbury and the relative dearth of condominium projects is causing some interest in this housing form. Whether conversions or new construction, new entries to this market appear imminent. Although multi-family starts are unlikely to top 200 units in 2011 and 2012, they will be above average both years.

Economy

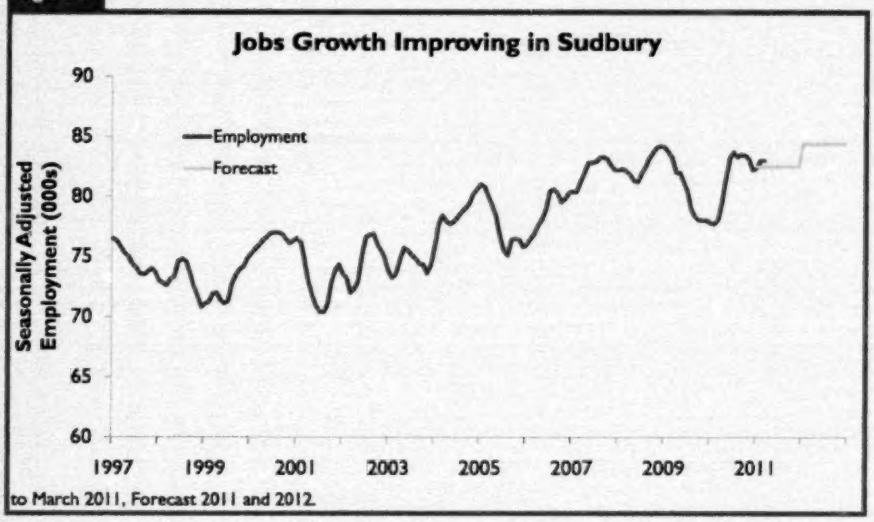
Employment Recovering Lost Ground

Employment began picking up in Greater Sudbury last June and has not let up. The conclusion of the Vale Inco strike on the one hand and overall improvement in the global commodities market have contributed to the improvement in local employment. A breakdown of employment by sector indicates strength in both the goods and services sectors. Job gains are being led by workers aged 45-64 years old followed by the younger 15-24 age group, and the bulk of new jobs of late have been full-time.

With over $3 billion in construction projects to take place over the next five years, Sudbury' labour pool will be tapped continually. The construction sector will be stretched to meet the demand from the myriad of products planned across all sectors of the local economy. Hundreds of full-time jobs, especially in the mining and mining supply sector, health care, retail, education, culture and recreation, will have resulted when all the work is complete, generating tail-winds that will support resale activity in the years to come.

The labour force has not been keeping pace with employment expansion, pushing the unemployment rate, which has averaged over nine per cent in 2009 and 2010, below eight per cent for the first time since the first quarter of 2009.

Figure 4



to March 2011, Forecast 2011 and 2012.

Nickel is easily the most important commodity to the Greater Sudbury economy, with major employers Vale Inco, Xstrata and Quadra FNX extracting nickel from local mines. Nickel traded in and around $13 USD per pound in the first quarter of 2011, while copper, the Sudbury basin's second most important mineral, traded at the highest point in its five year history over $4 USD per pound. Forecasts for these commodities look favourable with more price strength expected in 2011, with slight weakening in 2012. Prices at these levels are thought to be positive for existing and emerging mines in the Sudbury basin. Higher commodity prices will in turn bring positive news from the Sudbury Area Mining Supply and Service Association (SAMSSA) as companies within this group of companies strengthen their position.

Average weekly earnings are reflective of improvements in employment. After experiencing weakness through 2009, average weekly earnings started growing again in March 2010. Growth has averaged 6.4 per cent in the past year with growth in the first quarter coming in at 7.2 per cent, the high end of the range. Higher salaries will support consumer spending.

Migration into Sudbury to Recover

After relatively strong net in-migration in 2008, net migration in 2009 to Greater Sudbury went negative in the amount of 263 people. The recession and Vale Inco labour unrest are possible reasons for the downturn in migration. Given the challenges to grow Sudbury's aging population, these migration statistics are key. Just as we have seen an increase in employment, so we expect improved fortunes regarding migration.

Migration that supports growth in young families is the most impactful way to stabilize the population decline that has been more the norm than the exception in Northern Ontario since 1996. After the dip in migration numbers, net migration into Greater Sudbury should average about 250 people each year over the forecast period. This expected rate of change may be positive relative to the rest of Northern Ontario, but in comparison to Ontario it is rather weak.

Mortgage Rate Outlook

On April 12th, the Bank of Canada announced that it was leaving the Target for the Overnight Rate unchanged at 1.0 per cent. The last increase in the overnight rate occurred on September 8, 2010 when the Bank of Canada raised it by 25 basis points. The Bank of Canada is expected to resume raising the overnight rate in the fourth quarter of 2011. Mortgage rates, particularly short term mortgage rates and variable mortgage rates, are expected to remain at historically low levels.

According to CMHC's base case scenario, posted mortgage rates will remain relatively flat in 2011 before increasing moderately in 2012. For 2011, the one-year posted mortgage rate is assumed to be in the 3.1 to 3.5 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.1 to 5.6 per cent range. For 2012, the one-year posted mortgage rate is assumed to be in the 3.4 to 4.3 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.2 to 6.3 per cent range.

Rates could, however, increase at a faster pace if the economy ends up recovering more quickly than presently anticipated. Conversely, rate increases could be more muted if the economic recovery is more modest in nature.

Forecast Summary
Greater Sudbury CMA
Spring 2011

	2008	2009	2010	2011f	% chg	2012f	% chg
Resale Market							
MLS® Sales	2,396	1,977	2,244	2,350	4.7	2,500	6.4
MLS® New Listings	4,829	4,307	4,673	4,200	-10.1	4,300	2.4
MLS® Average Price ($)	211,614	200,947	221,699	233,000	5.1	241,000	3.4
New Home Market							
Starts:							
Single-Detached	469	224	369	390	5.7	430	10.3
Multiples	74	226	206	150	-27.2	130	-13.3
Semi-Detached	32	8	4	10	150.0	10	0.0
Row/Townhouse	19	74	25	0	n/a	0	n/a
Apartments	23	144	177	140	n/a	120	250.0
Starts - Total	543	450	575	540	-6.1	560	3.7
Average Price ($):							
Single-Detached	336,847	370,755	360,289	363,500	0.9	371,000	2.1
Median Price ($):							
Single-Detached	322,450	339,900	354,900	362,000	2.0	366,000	1.1
New Housing Price Index (% chg) (Thunder Bay-Sudbury)	5.5	0.7	-0.5	0.5	-	1.0	-
Rental Market							
October Vacancy Rate (%)	0.7	2.9	3.0	2.0	-1.0	1.5	-0.5
Two-bedroom Average Rent (October) ($)	800	830	840	855	-	880	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.70	4.02	3.49	3.23	-	3.76	-
Mortgage Rate (5 year) (%)	7.06	5.63	5.61	5.45	-	5.94	-
Annual Employment Level	83,000	80,300	81,500	82,500	1.2	84,400	2.3
Employment Growth (%)	0.7	-3.3	1.5		-		-
Unemployment rate (%)	5.6	9.3	9.3	7.3	-	6.7	-
Net Migration	414	-273	-219	200	-191.3	300	50.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 65 years.

Together with other housing stakeholders, we help ensure that the Canadian housing system remains one of the best in the world. We are committed to helping Canadians access a wide choice of quality, environmentally sustainable and affordable housing solutions that will continue to create vibrant and healthy communities and cities across the country.

For more information, visit our website at www.cmhc.ca

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.
Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is available for free on CMHC's website. You can view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to www.cmhc.ca/housingmarketinformation

For more information on MAC and the wealth of housing market information available to you, visit us today at www.cmhc.ca/housingmarketinformation

To subscribe to priced, printed editions of MAC publications, call 1-800-668-2642.

©2011 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

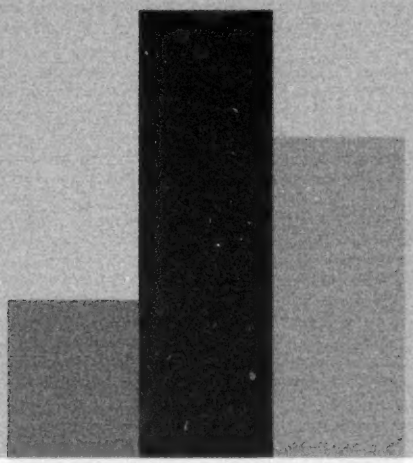
Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please contact the Canadian Housing Information Centre (CHIC) at mailto:chic@cmhc.gc.ca; 613-748-2367 or 1-800-668-2642.

For permission, please provide CHIC with the following information:
Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

Housing market intelligence you can count on



FREE REPORTS AVAILABLE ON-LINE

- Canadian Housing Statistics
- Housing Information Monthly
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Canada and Regional
- Housing Market Outlook, Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Housing Now, Canada
- Housing Now, Major Centres
- Housing Now, Regional
- Monthly Housing Statistics
- Northern Housing Outlook Report
- Preliminary Housing Start Data
- Renovation and Home Purchase Report
- Rental Market Provincial Highlight Reports *Now semi-annual!*
- Rental Market Reports, Major Centres
- Rental Market Statistics *Now semi-annual!*
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports
- Seniors' Housing Reports - Supplementary Tables, Regional

Get the market intelligence you need today!

Click www.cmhc.ca/housingmarketinformation to view, download or subscribe.

CMHC's Market Analysis Centre e-reports provide a wealth of detailed local, provincial, regional and national market information.

- **Forecasts and Analysis –** Future-oriented information about local, regional and national housing trends.
- **Statistics and Data –** Information on current housing market activities — starts, rents, vacancy rates and much more.

65724_2011_B01

CMHC Client e-Update Newsletter

Get the latest market in-sight, housing research and news on CMHC mortgage loan insurance to grow your business and enhance your client relationships. Everything you need to open new doors.